



September 19, 2012

Representative Wayne Schmidt
District 104
Anderson House Office Building
124 N. Capitol – S-1388
Lansing, MI 48933

RE: Written testimony for submission to the House Commerce Committee

Chairman Schmidt and Members of the House Commerce Committee:

My name is John Shuler, and I am a Senior Investigator for Target, based out of Detroit, Michigan, and I am responsible for covering 57 stores in the state. Thank you for conducting this hearing today on organized retail crime.

Here in Michigan, we experience organized retail crime issues like the rest of the country. Much of the theft we see involves infant formula, razor blades, health and beauty items, video games, flat-screen televisions and other expensive electronics.

These items are stolen because they present quick resale value, whether it is at pawn shops, flea markets, corner stores, gas stations, or through an internet auction site. The individuals involved with this activity often steal to support criminal enterprises such as drugs, weapons or gang activity.

Different than shoplifting, organized retail crime is typically a large-scale criminal operation involving individuals or gangs of sophisticated, well-connected criminals with specific roles who steal products with the intent of selling them for a significant profit to fund criminal activity and/or lifestyles. The businesses that buy this stolen product then resell that merchandise for a substantial profit.

Here is one recent case example that was initiated as a result of extensive organized thefts involving 2 subjects taking large quantities of baby formula from several of our metro Detroit stores. Several documented incidents identified that these 2 individuals caused or attempted to cause a loss of \$1,000 in baby formula. It was later discovered after they were apprehended by Target Store Security, that both of these individuals had a substance abuse problem that they were funding. Through interviewing these individuals, the Target Investigations Team identified that the merchandise was being sold to a specific business in Detroit. In partnership with the Detroit Police Department, several controlled sales were conducted on this business by an undercover officer and subsequent search warrants were served on the subjects' business and house, where over \$9,000 in merchandise was recovered from multiple retailers. After compiling all the incidents and evidence and conducting a profit impact analysis just for Target's impact alone, we would have to sell 2,127 cans of baby formula or \$32,945 in similar department sales just to compensate for the loss of this one case.



Organized retail crime activity is damaging on several levels, harming consumers, business and our communities. There is no guarantee that popular stolen products like baby formula and over-the-counter drugs are stored safely prior to resale. It costs retailers, consumers and the government through lost tax revenues. In Michigan alone, lost tax revenue is estimated to be over 53 million (\$53,292,993.93) according to the Food Marketing Institute. The enormous profits have also fueled other criminal activity, hurting our communities.

The rapid growth of organized retail crime requires a solution beyond investigating and apprehending individual criminals. State organized retail crime legislation would clearly define how organized retail crime differs from shoplifting, thus bringing harsher penalties to those responsible for organizing criminal enterprises that cause harm to our stores on a regular basis.

We appreciate the work that has been done to find a legislative solution, making the State of Michigan a partner with retailers in the fight against this growing problem. Chairman Schmidt and Members of the House Commerce Committee, this concludes my testimony. I thank you for allowing us to participate. I invite your questions.

Organized Retail Crime: Estimated Lost Sales Tax Revenue by State (2007)

State	All Retail Stores Sales	State Percentage of All Retail Store Sales	Estimated Amount of Merchandise ORC Gangs Stole by State	State Sales Tax Rates	Estimated Lost Sales Tax Revenue by State
All of U.S.	\$4,980,407,000,000.00		\$30,000,000,000.00		
AL	\$76,624,000,000.00	1.54%	\$461,552,640.18	4.00%	\$18,462,105.61
AZ	\$119,671,000,000.00	2.40%	\$720,850,725.65	5.60%	\$40,367,640.64
AR	\$43,821,000,000.00	0.88%	\$263,960,355.05	6.00%	\$15,837,621.30
CA	\$606,946,000,000.00	12.19%	\$3,656,002,411.05	6.25%	\$228,500,150.69
CO	\$84,923,000,000.00	1.71%	\$511,542,530.56	2.90%	\$14,834,733.39
CT	\$59,842,000,000.00	1.20%	\$360,464,516.25	6.00%	\$21,627,870.98
DC	\$7,047,000,000.00	0.14%	\$42,448,338.06	5.75%	\$2,440,779.44
FL	\$367,518,000,000.00	7.38%	\$2,213,782,929.79	6.00%	\$132,826,975.79
GA	\$152,968,000,000.00	3.07%	\$921,418,671.20	4.00%	\$36,856,746.85
HI	\$24,817,000,000.00	0.50%	\$149,487,782.83	4.00%	\$5,979,511.31
ID	\$27,557,000,000.00	0.55%	\$165,992,458.05	6.00%	\$9,959,547.48
IL	\$198,095,000,000.00	3.98%	\$1,193,245,853.20	6.25%	\$74,577,865.83
IN	\$97,570,000,000.00	1.96%	\$587,723,051.55	6.00%	\$35,263,383.09
IA	\$43,915,000,000.00	0.88%	\$264,526,573.83	5.00%	\$13,226,328.69
KS	\$38,424,000,000.00	0.77%	\$231,450,963.75	5.30%	\$12,266,901.08
KY	\$62,067,000,000.00	1.25%	\$373,867,035.36	6.00%	\$22,432,022.12
LA	\$66,779,000,000.00	1.34%	\$402,250,257.86	4.00%	\$16,090,010.31
ME	\$24,298,000,000.00	0.49%	\$146,361,532.30	5.00%	\$7,318,076.62
MD	\$97,410,000,000.00	1.96%	\$586,759,274.89	5.00%	\$29,337,963.74
MA	\$114,094,000,000.00	2.29%	\$687,257,085.62	5.00%	\$34,362,854.28
MI	\$147,456,000,000.00	2.96%	\$888,216,565.43	6.00%	\$53,292,993.93
MN	\$85,292,000,000.00	1.71%	\$513,765,240.47	6.50%	\$33,394,740.63
MS	\$44,814,000,000.00	0.90%	\$269,941,793.91	7.00%	\$18,895,925.57
MO	\$96,816,000,000.00	1.94%	\$583,181,254.06	4.23%	\$24,639,407.98
NE	\$30,733,000,000.00	0.62%	\$185,123,424.65	5.50%	\$10,181,788.36
NV	\$57,426,000,000.00	1.15%	\$345,911,488.76	6.50%	\$22,484,246.77
NJ	\$151,409,000,000.00	3.04%	\$912,027,872.42	7.00%	\$63,841,951.07
NM	\$31,042,000,000.00	0.62%	\$186,984,718.32	5.00%	\$9,349,235.92
NY	\$296,085,000,000.00	5.94%	\$1,783,498,818.47	4.00%	\$71,339,952.74

*document prepared by the Food Marketing Institute on behalf of the Coalition Against Organized Retail Crime, September 2009.

Organized Retail Crime: Estimated Lost Sales Tax Revenue by State (2007)

State	All Retail Stores Sales	State Percentage of All Retail Store Sales	Estimated Amount of Merchandise ORC Gangs Stole by State	State Sales Tax Rates	Estimated Lost Sales Tax Revenue by State
All of U.S.	\$4,980,407,000,000.00		\$30,000,000,000.00		
NC	\$147,298,000,000.00	2.96%	\$887,264,835.99	4.25%	\$37,708,755.53
ND	\$12,617,000,000.00	0.25%	\$75,999,812.87	5.00%	\$3,799,990.64
OH	\$161,451,000,000.00	3.24%	\$972,516,904.74	5.50%	\$53,488,429.76
OK	\$49,806,000,000.00	1.00%	\$300,011,625.56	4.50%	\$13,500,523.15
PA	\$197,695,000,000.00	3.97%	\$1,190,836,411.56	6.00%	\$71,450,184.69
RI	\$16,340,000,000.00	0.33%	\$98,425,690.91	7.00%	\$6,889,798.36
SC	\$67,974,000,000.00	1.36%	\$409,448,464.75	6.00%	\$24,566,907.89
SD	\$15,654,000,000.00	0.31%	\$94,293,498.50	4.00%	\$3,771,739.94
TN	\$107,244,000,000.00	2.15%	\$645,995,397.56	7.00%	\$45,219,677.83
TX	\$367,021,000,000.00	7.37%	\$2,210,789,198.55	6.25%	\$138,174,324.91
UT	\$42,905,000,000.00	0.86%	\$258,442,733.70	4.75%	12,276,029.85
VT	\$12,269,000,000.00	0.25%	\$73,903,598.64	6.00%	\$4,434,215.92
VA	\$142,899,000,000.00	2.87%	\$860,767,001.57	4.00%	\$34,430,680.06
WA	\$114,121,000,000.00	2.29%	\$687,419,722.93	6.50%	\$44,682,281.99
WV	\$26,495,000,000.00	0.53%	\$159,595,390.50	6.00%	\$9,575,723.43
WI	\$86,668,000,000.00	1.74%	\$522,053,719.71	5.00%	\$26,102,685.99
WY	\$10,306,000,000.00	0.21%	\$62,079,263.80	4.00%	\$2,483,170.55
Grand Total \$1,612,544,452.69					

**Note: States with no state sales tax, AK, DE, MT, NH, and OR were omitted*

1. Market Statistics, a division of Claritas Inc., Arlington, VA, *The 2008 Survey of Buying Power*, "Retail Trade and Food Services – Sales by Type of Store and State: 2007." <http://www.census.gov/compendia/statab/tables/09s1020.pdf>.
2. Federation of Tax Administrators, "State Sales Tax Rates," 2008: <http://www.taxadmin.org/fta/rate/sales.pdf>.

Organized Retail Crime Laws

- States with ORC bills pending
- States with ORC laws passed

